



Research note of 24 August 2022

ZHAW School of Management and Law/University of St. Gallen

Half of the Swiss population open to "buy now, pay later" offers

Around half of the Swiss population is open to payment by instalments in principle. In a hypothetical purchase situation, however, "buy now, pay later" offers were chosen rather rarely in a selection of different payment options. This is shown by the current Swiss Payment Monitor of the ZHAW and the University of St. Gallen.

Just under half of the Swiss population can basically imagine buying a desired product on instalments. One third, on the other hand, cannot imagine doing so at all, even if it does not incur any interest or fees. This is the result of the sixth Swiss Payment Monitor (SPM) conducted by the ZHAW and the University of St.Gallen. For the survey, more than 1,400 people were questioned in May 2022, representing the whole of Switzerland.

Women are more inclined to buy by instalment

The acceptance of such "buy now, pay later" (BNPL) offers is independent of age and financial starting position. "Half of the respondents were told that they could not currently afford to buy the product, while the other half could easily afford an immediate purchase," explains co-author Nina Heim from the ZHAW. "However, this had no statistically significant influence on the acceptance of an instalment payment." Only the genders showed a difference in this respect: women are more inclined than men to buy a product on instalments that they could not otherwise afford. However, if they could afford the product without any problems, men are more open to an instalment purchase than women.

"Buy now, pay later" offers with interest hardly play a role

The instalment purchase option plays a subordinate role in concrete (hypothetical) purchase decisions compared to other payment options, even if it is free for the respondents. However, when buying a refrigerator (price: CHF 1,649), one in five people would still opt for a purchase with fixed or flexible instalments over 12 months. This figure is halved if an interest rate of 5 per cent (for fixed instalments) or 6 per cent (for flexible instalments) is charged on the outstanding instalments. "The drop in flexible instalments at 6 percent interest is particularly striking," says ZHAW payments expert Marcel Stadelmann. "The instalment purchase option only seems attractive at low interest rates and most likely for larger amounts for important, useful purchases."

Payment by instalments as a new payment trend?

BNPL is a purchase solution on account or in instalments, which enables the decoupling of the time of consumption from the time of payment. While this instalment purchase solution is not fundamentally new, modern payment solutions differ from traditional instalment purchases in terms of payment experience by offering more customised and simpler solutions with a lot of freedom of choice. Accordingly, consumers can better tailor the decision of when and how to pay for purchases to their own needs. "The popularity of instalment payments could increase in the future, for example if the perception of future expenses changes due to high inflation rates," says Tobias Trütsch, payment economist at the University of St. Gallen.

Credit card as a billing product benefits from the mobile boom

Within the framework of the regular survey of the payment behaviour of the Swiss population, only minor changes can be seen compared to the last survey in November 2021. The debit card remains the most frequently used means of payment, followed by cash, which continues to be used for every third payment in face-to-face business. The popularity of mobile payments continues to grow. In the distance business, every second payment is now processed via a mobile device, which also benefits the credit card as a billing product: Every third payment from a distance is settled via a credit card.

Swiss Payment Monitor

The Swiss Payment Monitor (SPM) is a long-term study series and is published every six months to provide a timely picture of developments in the payment behaviour of the Swiss population. It was published for the first time in 2018 and is based on representative survey data from an online and diary survey on the one hand and on public data from the Swiss National Bank on the other. In the first half of May 2022, over 1400 people aged 18 and over from all three parts of the country were asked about their payment habits and attitudes towards (innovative) means of payment.

The SPM is published by the Swiss Payment Research Center of the ZHAW School of Management and Law and the Swiss Payment Behaviour Lab of the University of St. Gallen. The study is funded by the two research institutions, the Swiss Payment Association (industry organisation of all major Swiss issuers of credit cards of the international card organisations) and the industry partners Nets (Nets Schweiz AG) and Worldline | SIX Payment Services.

www.swisspaymentmonitor.ch | www.swisspaymentbehaviour.ch

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